

dollars, there has been little, if any, gain, yet there is a capital gains tax to pay on a change attributable to inflation by the same people who have been paying taxes regularly on their earnings. Now that seems fairly straightforward to me, but I'd enjoy yielding the balance of my time to run that by me in a little different way, and do you agree with that statement? Thank you.

SPEAKER BARRETT: Senator Johnson.

SENATOR V. JOHNSON: Senator Rupp, the comment that you have is this, that, in fact, because the Congress and the president decided that a capital gain would no longer receive favorable tax treatment under the U.S. Internal Revenue code and that the capital gain would be taxed as any other kind of income would be taxed, that when Nebraska adopted its new tax law in LB 773 which likewise treats capital gains as any other income, that the effect is, with respect to assets, that are capital assets from which a gain can be incurred, that there is a tax increase, and you asked me to comment on that. That is true. There is a tax increase. Congress intended for there to be a tax increase and we intended for there to be a tax increase. We intended that capital gain transactions not be treated differently from ordinary income transactions. And then you comment that, you say that may be unfair or the Norfolk Daily News says that may be unfair because in some respects capital assets simply reflect inflated values. I suspect those arguments will be made again and again to Congress. They have been made for long periods of time. Capital gains, incidentally, have sometimes been treated like ordinary income and sometimes haven't been. There has been a big fluctuation over history as to how the items are to be taxed. Then you say, is it just for LB 775 to exclude a certain, small, narrow segment of capital transactions from this tax increase in Nebraska? Is that fair?

SPEAKER BARRETT: One minute.

SENATOR V. JOHNSON: Well, we've made the argument, pretty cogently and pretty regularly, that a tremendous amount of those transactions today are excluded, not by our law but by the stockholders feet, because the stockholder simply goes elsewhere at the time of retirement and avoids Nebraska taxes. But there are some stockholders that can't move with their feet. There are some stockholders that simply...they've got some money, but they haven't got enough money to warrant going to Florida, to warrant going to Texas, to warrant going to Wyoming and can't